

O-28-18

Arts and Entertainment District – Property Tax Credit

Staff Report

The proposed ordinance is intended to establish the property tax credits, as specified by the State of Maryland for A&E Districts, within the City's State-designated Annapolis Arts District.

The State of Maryland A&E District designation makes available incentives to promote arts activity within specified geographic areas. The benefits currently offered to designated districts include:

- property tax credits for new construction or renovation of certain buildings that create live-work space for artists and/or space for arts and entertainment enterprises
- an income tax subtraction modification for income derived from artistic work executed and sold within the districts by “qualifying residing artists”
- an exemption from the Admissions and Amusement tax levied by an “arts and entertainment enterprise” or “qualifying residing artist” in a district

While the Annapolis Arts District was first designated in 2008, it did not become fully functional until 2014. Since then, the existence of the City's cultural district has had a positive impact on the local economy, as well as to the City's quality of life. Today, the Annapolis Arts District is one of the State's top examples of the State's goals for the A&E Districts program. However, while the income tax and Admissions/Amusement tax incentives have already been addressed by the City, the property tax incentive has not as yet been codified.

The following statistics are extracted from the *Maryland Arts and Entertainment Districts Impact Analysis FY 2016*, prepared for the Maryland State Arts Council by the Regional Economic Studies Institute, Towson University.

- As compared to FY2014, in FY 2016 employment in the Annapolis Arts District grew by 654 jobs (exceeded by only one other Maryland A&E District), added \$62.9 million in state GDP (exceeded by only two other Maryland A&E Districts), and increased wages by \$18.6 million (exceeded by only one other Maryland A&E District).
- Total state and local tax revenues (Property, Income, Sales, Payroll and Other) spurred by business growth and visitor spending at events and festivals in the Annapolis Arts District grew by \$4.49 million in FY 2016, as compared to FY 2014 (exceeded by only two other A&E Districts). This total includes direct, indirect, and induced impacts for property, income, sales, payroll, and other state and local taxes in Maryland, for both new businesses and visitor spending at events and festivals.

The Department recognizes that the Annapolis Arts District has been successful in its the ability to attract and/or retain viable uses within the designated Annapolis Arts District footprint. The income tax incentive is applied individually by artisans when filing annual taxes with the IRS. The exemption for the Admissions and Amusement Tax was codified by City Ordinance O-18-14 and is collected by the State Comptroller's Office and remitted back to the City. However, the property tax incentive was never codified, yet businesses in the district have begun to inquire as to how apply the incentive. Therefore, the Department recommends approval of X-XX-XX to codify this category of the State-enabled Arts District incentives.

Prepared by Hollis Minor, City of Annapolis, Economic Development Manger